

**Calendar No. 485**

110TH CONGRESS  
1ST SESSION

**S. 2346**

To temporarily increase the portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, affordable loans, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 13, 2007

Mr. SCHUMER introduced the following bill; which was read the first time

NOVEMBER 14, 2007

Read the second time and placed on the calendar

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**A BILL**

To temporarily increase the portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, affordable loans, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Promoting Refinancing  
3 Opportunities for Mortgages Impacted by the Subprime  
4 Emergency Act of 2007” or the “PROMISE Act”.

5 **SEC. 2. FINDINGS.**

6       Congress finds that—

7           (1) American families will be severely harmed  
8       by an unprecedented wave of anticipated foreclosures  
9       expected to occur over the coming months, as ad-  
10      justable rate subprime mortgages reset to higher in-  
11      terest rates;

12          (2) preventing such foreclosures and facilitating  
13      the refinancing of at-risk subprime borrowers into  
14      safe, affordable loans will require the additional li-  
15      quidity provided by the Federal National Mortgage  
16      Association and the Federal Home Loan Mortgage  
17      Association, and any affiliates thereof;

18          (3) the failure to prevent these anticipated fore-  
19      closures could have devastating effects on household  
20      wealth, neighborhood property values, and the over-  
21      all health of the broader economy; and

22          (4) the Federal National Mortgage Association  
23      and the Federal Home Loan Mortgage Corporation,  
24      and any affiliates thereof, are currently constrained  
25      from purchasing large volumes of subprime

1       refinancings by portfolio limitations, as set forth by  
2       the Office of Federal Housing Enterprise Oversight.

3   **SEC. 3. DEFINITIONS.**

4       For purposes of this Act, the following definitions  
5   shall apply:

6           (1) DIRECTOR.—The term “Director” means  
7       the Director of the Office of Federal Housing Enter-  
8       prise Oversight of the Department of Housing and  
9       Urban Development.

10          (2) ENTERPRISE.—The term “enterprise”  
11       means—

12                (A) the Federal National Mortgage Asso-  
13       ciation, and any affiliate thereof; and

14                (B) the Federal Home Loan Mortgage  
15       Corporation, and any affiliate thereof.

16          (3) FANNIE MAE CONSENT DECREE.—The term  
17       “Fannie Mae Consent Decree” means the order of  
18       the Office of Federal Housing Enterprises Oversight  
19       dated May 23, 2006, in the matter of the Federal  
20       National Mortgage Association.

21          (4) FREDDIE MAC LETTER.—The term  
22       “Freddie Mac Letter” means the letter dated July  
23       31, 2006, from the Chairman and Chief Executive  
24       Officer of the Federal Home Loan Mortgage Cor-  
25       poration to the Director.

1           (5) OFHEO.—The term “OFHEO” means the  
2       Office of Federal Housing Enterprises Oversight.

3   **SEC. 4. LIFTING OF PORTFOLIO CAPS.**

4       (a) IN GENERAL.—Immediately upon the date of en-  
5       actment of this Act, the Director shall terminate, suspend,  
6       modify, or otherwise lift—

7           (1) the limitation on growth provision set forth  
8       in section 4, Article III of the Fannie Mae Consent  
9       Decree; and

10          (2) the voluntary temporary growth limitation  
11       described in the Freddie Mac Letter.

12       (b) FACTORS.—In carrying out subsection (a), the  
13       Director shall increase the mortgage portfolio limitations  
14       of both enterprises by not less than 10 percent.

15       (c) ALLOCATION.—

16           (1) IN GENERAL.—Eighty-five percent of the  
17       portfolio increase described in subsection (b) shall be  
18       used for the purpose of refinancing subprime mort-  
19       gages at risk of foreclosure.

20           (2) DEFINITIONS.—The Director may establish  
21       criteria defining the term “subprime mortgage”, as  
22       the Director determines necessary.

23       (d) RULE OF CONSTRUCTION.—Nothing in this sec-  
24       tion shall be construed to prevent or prohibit the Director  
25       from exercising any authority of the Director to terminate,

1 suspend, modify, or otherwise lift the limitations ref-  
2 erenced in paragraphs (1) and (2) of subsection (a) be-  
3 yond the minimum increase specified in subsection (b), as  
4 the Director deems appropriate.

5 **SEC. 5. SUNSET PROVISION.**

6       This Act is repealed, effective 6 months after the date  
7 of enactment of this Act, and the authority of the Director  
8 under this Act is terminated on that date of repeal.

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